Labour White Papers. No. 9.

Killing the Goose.

Some Facts and Figures
About the Cotton Trade.

Labour Research Department,
162 *Buckingham Palace Road,*
London - - S.W.1.

Price 1d.

Order the rest of this Series.

LABOUR'S WHITE PAPERS.

No. 1. THE CONDITION OF THE WORKING CLASSES.

Shows how capitalism has for the past 24 years steadily depreciated the standard of life.

No. 2. THE BRITISH BONDHOLDERS.

Facts and figures about the holders of the National Debt and how they stand in the way of reform.

No. 3. FACTS ABOUT THE COMBINES.

A study in the profits, etc., of the chief capitalist octopuses.

No. 4. WHY A TREATY WITH RUSSIA ?

Sets out the record of capitalism with regard to Soviet Russia.

No. 5. WHO KEEPS PRICES HIGH ?

Facts about the price of food and the food trusts.

No. 7. BRITISH POLICY IN EGYPT.

A history of the "Condominium" and the whole record of the British Government with regard to Egypt.

No. 10. MUNICIPAL ENTERPRISE.

The essential facts and figures of the result of municipal enterprise in all its branches.

Price : **1d.** each, **9d.** per dozen, or **6/6** per 100.

No. 11. INTERNATIONAL TRADE UNION UNITY.

Account of the negotiations between Moscow, Amsterdam and Great Britain. Article on "Russia in 1924": a summary of the British Delegation's Report.

Price : **2d.** each, **1/6** per dozen, or **11/6** per 100.

Killing the Goose.

IN the early days of capitalism cotton was the most flourishing of British industries.

In 1919 and 1920 cotton made fabulous profits.

In 1924 cotton goods made up a quarter of the value of all British exports.

What has all this meant for the workers in the cotton trade? The conditions of the early period were so terrible that it is hardly possible to imagine the actual lives of the workers: long hours, miserable wages, dangers and disease, which were an accepted part of factory life, and the horrors of child labour. During the years immediately after the war, when cotton capitalists were making profits which, even in that period of bloated dividends, were almost incredible, *the rise in wage rates barely kept pace with the increase in the cost of living.* In 1924, with the cost of living 70 to 80 per cent. above pre-war, the actual earnings of the workers amounted to £60,000 a week less than in 1914.

THE WORKERS' SHARE.

Wages in the cotton trade are regulated by piece price lists, the majority of workers being employed on piece work. Any increase or decrease in rates is calculated on the basis of these lists. In 1914 rates were 5 per cent. up on list prices: in 1924 they were 95 per cent. up. But in 1919 the standard week was reduced from 55½ to 48 hours, and the 95 per cent. increase on list prices therefore means an actual increase in rates of only 57 per cent.* This was the level of wage rates in a year when the cost of living averaged 75 per cent. above 1914.

* *Note.*—In order to give the equivalent of 1914 wages for a 48 hour week, at the current cost of living, wages in December, 1924, should have been 117 per cent. above list.

But the total loss of income to the workers was far more than this difference, because of the enormously increased amount of short time and unemployment.

SHORT TIME: THE WORKERS' LOSS.

A special feature of the cotton trade is the system of organised short time, which is applied whenever four-fifths of the employers in the Master Cotton Spinners' Federation decide that they want it. They settle among themselves how many hours (up to the full 48) shall be worked, and whether the mills shall be closed for one whole day, or for two days, or three days in the week; and whatever the amount of short time the workers have to suffer a proportionate loss of earnings.

In March, 1914, average full-time earnings of cotton workers were just about £1 a week. The number of workers was 605,000, and unemployment averaged 2.5 per cent.

The total weekly income of the workers, therefore, was about £605,000 less 2.5 per cent., or £590,000.

We have seen that in 1924 average wage rates (roughly equal to full time earnings) were 57 per cent. above 1914. The number of insured workers was 562,000, and unemployment averaged 14 per cent. Short time in the industry as a whole amounted to a further complete stoppage of about 26 per cent.

The total income of the workers, therefore, was £882,000 less 40 per cent. or £529,200.

> *Thus cotton workers in* 1924 *were getting* £60,000 *a week less out of the industry than in* 1914, *and average earnings for each worker attached to the trade were* 18*s.* 10*d. a week.*

During the year the rise in the cost of living averaged 75 per cent., so that 18s. 10d. was worth less than 11s. in 1914.

This is what it comes to for the half-million men and women whose living depends on work in the cotton trade: a weekly income worth 11s.

THE FAMILY WAGE.

At first sight this figure is incredible. In most trades it would mean simply starvation. But here, again, a peculiarity of the cotton trade has to be taken into account. The worker's family in a Lancashire cotton town depends, as a rule, not on the income of one wage-earner who provides for wife and children, but on the earnings of several members of the same family. A very large number of married women are employed. On the combined earnings of three or four of its members the family subsists somehow, although individual earnings have been forced down below starvation level. And employers get the labour of three or four workers for the wages of one.

SHORT TIME: THE EMPLOYERS' GAIN.

The effectiveness of the short time system, from the employers' point of view, is perfectly clear. It is admittedly and quite openly used to restrict output and keep up prices. Unless the cotton capitalists can sell at a certain price, they will not produce, and the mills are closed. The workers have to suffer, but prices are kept up.

The extent to which this process of cutting down production and forcing up prices was carried out in 1924 is easily seen in the figures of cotton exports. The *quantity* of yarn exported was a little over three-quarters of the 1913 quantity: the *value* was nearly double. The quantity of cloth was less than two-thirds: the value was 57 per cent. more. These are the actual figures:—

	1913	1924	Per cent. of 1913
Yarn:			
Quantity (million lbs.) ..	210	163	78
Value (million £) ..	15	27.8	185
Av. price per lb. (pence)	17.14	40.89	
Cloth:			
Quantity (million yds.) ..	7075.2	4444.7	62.8
Value (million £) ..	97.7	153.4	157
Av. price per yd. (pence)	3.32	8.29	

The employers and their Press, of course, maintain that high prices are due, first, to increased labour costs, and second, to increased cost of raw material. We have already seen that the workers are getting less, not more, than before the war; and as for raw material, the increase in price here is itself a result of the deliberate restriction of output practised by manufacturers. Demand for raw cotton falls off, the crop area is reduced and prices rise. This is what happened to American cotton at the end of 1923, and again early in 1925; and the reply of the Master Cotton Spinners is: "Short time, still more short time, in the vain hope that scarcity is the touchstone of success and prosperity." (Report of Am. Operative Cotton Spinners, January, 1925.) Thus the remedy aggravates the disease; production declines and the workers' loss grows heavier, while *the need for cotton goods in all countries remains unsatisfied because the workers cannot buy at current prices.*

But for the employers this policy works well enough. By keeping up selling prices they are able to take an enormously increased amount from every pound of yarn and every yard of cloth. This is how the selling price of American yarn was made up before the war and in 1924:—

	Average 1913-14	Average Dec., 1924	Per cent. increase
	Pence per lb.		
Raw cotton	$7\frac{1}{2}$	$13\frac{1}{2}$	80
Wages	$1\frac{1}{2}$	$2\frac{1}{3}$	57
Other costs	$1\frac{1}{2}$	$7\frac{11}{32}$	428
Yarn	$10\frac{1}{2}$	$23\frac{3}{4}$	126

This means that before the war wages and other costs (including running expenses, interest on loans, and profits) each made up about one-seventh of the total price; in 1924 wages were only a tenth, while other costs had risen to a third of the total.

THE CAPITALISTS' SHARE.

What were capitalists getting out of the cotton industry in 1924, a year of bad trade, compared with what they got in 1913, a year of good trade?

In answer to this question employers will reply that you have only to look at the rate of dividends to see what a bad time they have been having: the average rate for 1924 was less than $2\frac{1}{2}$ per cent., and many companies paid no dividend at all.

But, in fact, the rate of dividends is no true measurement of profits and gives no real comparison with pre-war profits, for two reasons: (1) The amount of capital on which dividends are paid has been tremendously increased, with proportionately increased payments to reserve funds; (2) enormous additions have been made to the amount of loan capital, the interest on which is a fixed charge on the industry.

THE BURDEN OF LOANS.

The extraordinary profits which were being made in the cotton trade in 1919 and 1920 attracted speculators, who bought up a very large proportion of the mills and formed companies with a share capital which averaged more than three times the former capital of the same concerns.

At the same time, in order to meet the large purchase prices, loans were raised at very high rates of interest: the total amount of loan capital in the spinning industry was increased from about £11,000,000 to about £45,000,000, and average interest charges rose from 5 per cent. to over 7 per cent.

The burden of capital charges therefore was over five times the pre-war interest on Loans, while share capital required three times the pre-war profit to pay dividends at an equal rate. But nothing whatever was added to the productive capacity of the industry.

In 1924, when production in the industry as a whole was only about two-thirds of pre-war, and in the spinning section about three-quarters, the huge

fixed charges on Loans had to be met out of this diminished trade.

The workers' earnings were reduced as we have seen. Even the *Manchester Guardian* admits that wages now form only 10 per cent. of the total cost of production. What actually happened to dividends? Were they wiped out? On the contrary, figures published by fifty spinning companies show that in the six months from July, 1924, profits were at the rate of 11.4 per cent. for the year. The total paid-up capital of these fifty companies is rather over £9 million, and their combined profits for the six months amounted to £519,170. They control almost exactly a tenth of the total number of spindles in the industry, and their share capital is about 10 per cent. of total share capital.

If these companies are typical, the spinning industry has made profits amounting to over £5 million in the half year—*more than six times the average half-yearly total of dividends before the war.* And these profits are in addition to the enormously increased amounts taken by capital in interest on loans.

This is the state to which private ownership has reduced the cotton trade: mills standing idle, vanishing markets, starvation wages for the workers, while the industry is drained by capital charges which are totally unproductive.

What is the employers' remedy?

To force the workers down still lower by lengthening the working week.

It is to meet this attack that cotton workers are preparing to enforce their demand for higher wages, and to reject any attempt of the employers to handicap the Trade Unions in their fight by drawing them into a Joint Committee of Cotton Trade Organisations.

Printed by W. Speaight & Sons, Ltd. (T.U.), 98 & 99, Fetter Lane, E.C. 4, and published by the Labour Research Dept., 162, Buckingham Palace Road, S.W. 1.